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# DELIVERING THE PROMISE

AMERICAN WATER HEATER COMPANY  
GSW WATER HEATING  
GSW BUILDING PRODUCTS

GSW INC.  
2003 ANNUAL REPORT

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## WE PROMISE TO LEAD CHANGE

*Peter M. Sharpe, President and Chief Executive Officer, GSW Inc.*

As one of the oldest companies in the country, we have gone through many transitions. We learned early to never stand still. For more than 150 years, we have relied on our commitment to innovation, quality, service, leadership and growth to guide us through fluctuating market conditions. GSW has evolved and flourished where many have perished because not only have we embraced change, we learned to lead it.

Over the next year, we will strive to solidify our position as a major player in the North American water heater market, taking advantage of synergies and opportunities for GSW Water Heating and American Water Heater Company. We intend to grow our building products division through strategic acquisitions, balancing the two segments of our business. We are determined to stay on our course of reducing costs, improving operational efficiencies, and developing new and innovative products. Our new senior management team will continue to have a sweeping impact on all of our businesses. But most of all, we will foster the all-important relationship with our customers, focusing on their evolving needs.

By looking ahead and leading change, we will deliver a promise that is as old as GSW's long history of groundbreaking achievement.

## FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)

	2003	2002	2001	2000	1999
	\$	\$	\$	\$	\$
<b>Operating Results</b>					
Sales	507,383	413,851	222,484	211,096	227,127
Income (loss) from continuing operations before income taxes	19,480	10,074	(4,565)	391	9,778
Income (loss) from discontinued operations, net of tax	—	—	—	—	4,456
Net income (loss) for the year	12,088	6,520	(2,592)	873	10,746
Cash flow from continuing operations	27,286	46,229	8,178	(3,355)	933
Capital expenditures	11,572	8,309	5,873	7,356	3,991
<b>Per Share</b>					
Net income (loss)	3.53	1.91	(0.75)	0.24	2.96
Continuing operations	3.53	1.91	(0.75)	0.24	1.73
Discontinued operations	—	—	—	—	1.23
Book value	19.76	17.50	20.06	20.16	19.95
Dividends paid	0.20	4.00	0.20	0.20	0.20
Average number of shares outstanding	3,421	3,420	3,448	3,596	3,630
<b>Financial Position</b>					
Working capital	45,134	46,704	39,828	45,235	49,923
Capital assets, net	52,848	58,977	19,007	16,362	11,970
Total assets	262,967	245,500	107,409	111,722	115,750
Shareholders' equity	67,591	59,865	69,188	72,479	72,409
<b>Financial Ratios</b>					
Income (loss) from continuing operations	3.8%	2.4%	(2.1)%	0.2%	4.3%
Current ratio	1.4	1.5	2.2	2.3	2.3

# REPORT TO SHAREHOLDERS

## 2003 OPERATIONS

Two years ago, GSW completed a review of its business operations which resulted in a revised strategic focus. Last year, we reached a Company milestone in achieving record sales and profits from operations. We are pleased to report that 2003 was even better and we have surpassed 2002 results. This is particularly gratifying given it was accomplished in an environment of significant margin pressures and foreign exchange impacts.

Net income for 2003 was \$12.1 million, or \$3.53 per share. This is an 85% increase from 2002's net income of \$6.5 million, or \$1.91 per share. Revenues increased to \$507 million, a 23% increase from \$413 million in 2002.

Cash flow from operations was \$27.3 million in 2003 compared to \$46.2 million in 2002. The 2002 cash flow included a reduction of the working capital acquired from American Water Heater Company. After payment of regular dividends our overall cash position was \$23.2 million at the end of the year.

The 2003 fiscal year results represent the first full year of contribution to financial performance by American Water Heater Company, which was acquired in April of 2002. This acquisition has had a major impact on our Company. Our combined water products operations now rank us the third largest water heater manufacturer in North America and leaders in innovative technology in our industry. GSW Building Products achieved major cost reduction and efficiency improvements in 2003.

Nonetheless the core reason for our continued success is our employees. GSW is fortunate to have a dedicated workforce committed to our customers and our shareholders. They have continued to bring forth new ideas and initiatives to realize cost reductions, productivity improvements, and product innovations. They have created an environment of excitement and success which also provides us the opportunity to attract new talent to the organization.

GSW has established a solid foundation upon which to grow, both with existing and new customers, through innovative product development, and through acquisition. We remain focused on customer service, productivity, and shareholder value.



## BUSINESS REVIEW

GSW's continued priority on productivity improvements, best-in-class customer service, sales growth, and innovative product development resulted in a very successful year in 2003.

Driven by these factors, our water heating businesses have established a solid foundation for future growth. GSW Water Heating ("GSW WH") and American Water Heater Company ("AWHC") focused on synergistic manufacturing opportunities between the two companies and developed programs whereby GSW Water Heating will manufacture commercial water heaters for AWHC as well as 6, 12, and 19 gallon heaters under the Whirlpool brand. GSW will distribute AWHC's next generation of high-efficiency Polaris water heaters in Canada. Both companies continue to take advantage of best practices in manufacturing processes, new technologies, procurement, and new product development.

GSW Water Heating continued to reduce cost structure while growing sales, resulting in improved profitability. A total commitment to customer service will now be delivered more effectively after bringing our technical support service back in-house. The Company continued to strengthen our relationship with key customers at all levels of the organization and actively participates with and supports our customers in discussions at the national level on new regulatory standards. During 2003 we welcomed David Radley as Vice President, Manufacturing (from our Building Products company), Zamal Ruffudeen as Vice President, Finance, Larry Chanasyk as Vice President, Engineering, and David Hammond, Vice President, Marketing & New Technology, further strengthening our team in Fergus.

American Water Heater Company had a very successful year in 2003 with continued growth in the retail market and new growth in the plumbing and wholesale market. Manufacturing productivity continues to improve AWHC's position as the lowest cost producer in the United States. AWHC is also the industry leader in customer delivery performance and continues to set the standard in new product development. Excellent performance in all operational categories culminated in AWHC being named Supplier of the Year for the Appliances Division of Lowe's Home Improvement Warehouse in 2003. A strong management team and a modern production facility combine to position American Water Heater Company well for continued growth.

GSW Building Products ("GSW BP") was able to respond to major margin and foreign exchange pressures through significant cost savings both in process improvements and general operations. Measured in numbers of units, both the retail gutter and vinyl railing product lines grew by approximately 10%. Cost containment and new product development continue to be a priority focus. During 2003, Ron Stevens was appointed Vice President, Manufacturing, and Gord McCusker was appointed Vice President, Finance.

In 2002, GSW through strategic acquisition and divestiture initiatives repositioned the Company for growth. In 2003 we not only capitalized on that opportunity, but also have established a solid foundation to build on and continue to grow the Company. We are leaders in our respective industries and will continually strive to be better for our customers, our employees and our shareholders.

2004 presents new challenges and opportunities and we are confident that our companies have the human and capital resources to continue to grow GSW Inc.



John Barford  
*Chairman*  
GSW Inc.



Peter Sharpe  
*President &  
Chief Executive Officer*  
GSW Inc.

## BOARD OF DIRECTORS AND MANAGEMENT

GSW has long been committed to strong corporate governance. The Company had policies in place that met or exceeded the TSX guidelines prior to their publication. The standard for corporate governance is evolving as a result of well publicized problems. New requirements for corporate governance have been published in Canada and in the United States. GSW is committed to continue to enhance our corporate governance policies in this new environment.

Andrew Ferrier, President & Chief Executive Officer, left the Company on July 31, 2003 to pursue a unique opportunity overseas. We thank Andrew for the significant contribution he made to the Company.

Peter Sharpe was appointed President & Chief Executive Officer and a Director of the Company on August 8, 2003. Peter was formerly Executive Vice President, Corporate Services, GSW Inc., and has been a key member of the new management team.

We are gratified by the significant changes at GSW and the results they have yielded, both numerically and culturally, and look forward to the future with excitement.

J.A. Barford  
*Chairman*

P.M. Sharpe  
*President & Chief Executive Officer*





I promise  
to wash behind  
my ears





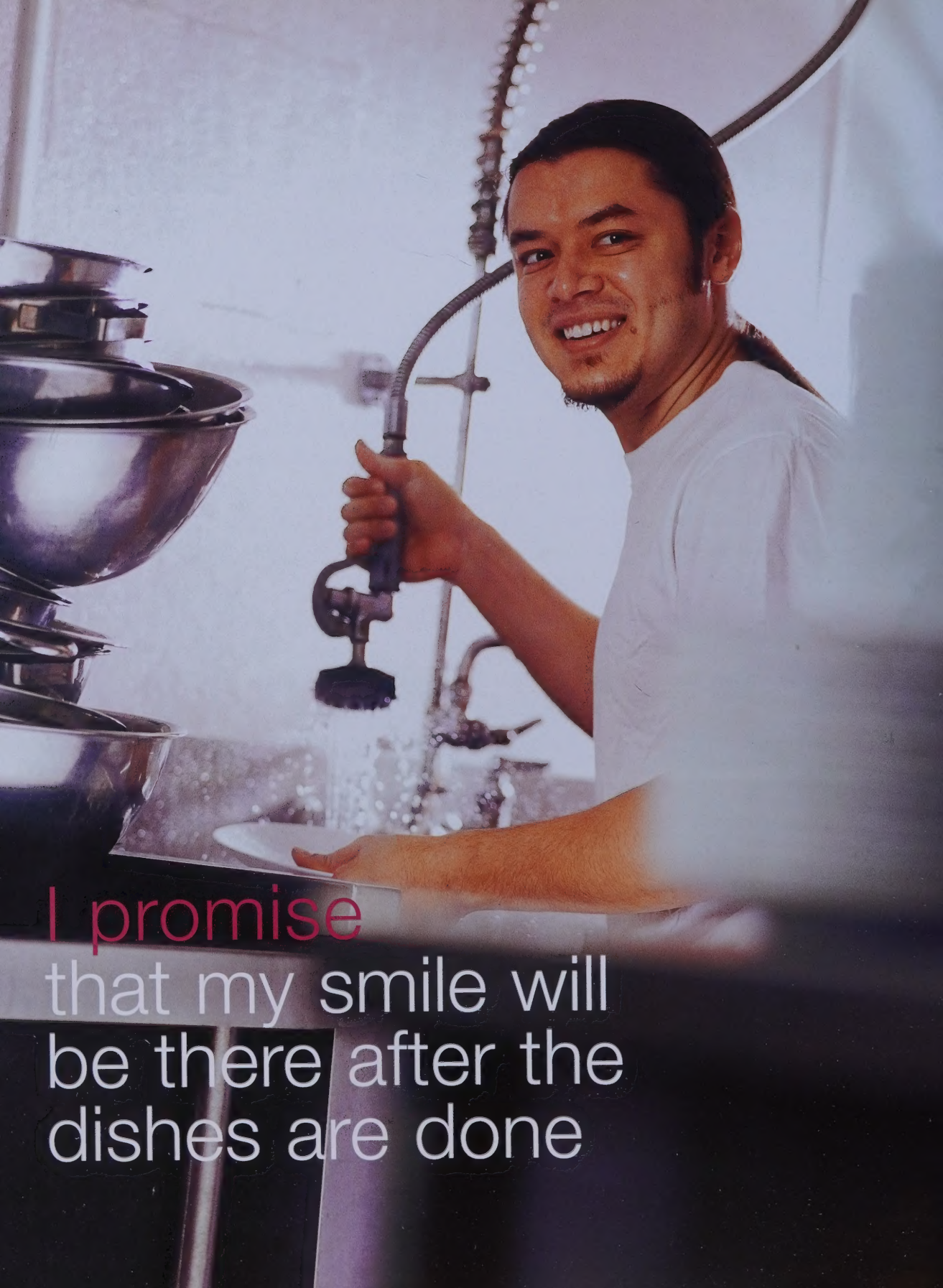
## AMERICAN WATER HEATER COMPANY

Our promise: We will continually improve everything we do.

WE ARE COMMITTED to improving every aspect of our business, yielding clearly measurable results. We will continue to work hard to reduce the number of man-hours it takes to build each water heater, to decrease material costs and to raise product innovation to new heights. While our 99.9 percent on-time delivery performance is remarkable, it still leaves room for improvement. We will increase the efficiency of our shipping process. Our management team will renew their dedication to customer service and product quality, while working hard to reduce costs to achieve this quality. Although American Water Heater Company has posted its best year ever, we promise never to falter in our commitment to bettering our business. And we will always keep the chief beneficiary of our efforts in mind – our customers. They will continue to receive the very best water heaters, delivered on time every time.

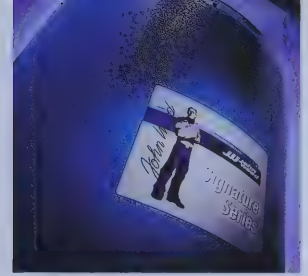


We promise to continually set the bar higher for our product quality, factory productivity and customer service.



I promise  
that my smile will  
be there after the  
dishes are done





## GSW WATER HEATING

Our promise: We will deliver superior customer service.

WE WILL CONTINUE to be our customers' water heater supplier of choice, striving to understand their businesses better than anyone else. They will receive customized service and products that help them to achieve their business goals. We intend to constantly improve our manufacturing efficiencies and cost structures. We will develop further synergies with the American Water Heater Company, exploring a variety of manufacturing, distribution, purchasing and R&D opportunities. Despite fluctuations in the value of the Canadian dollar, our new leadership team will continue to work hard to offer the best water heaters at competitive prices, leading the way as well in new product development and on-time delivery. And we will reaffirm our commitment to being responsible corporate citizens, supporting our employees and their community, just as we did last year – in the wake of the August blackout, we reduced our factory's power consumption by 75 percent and received special recognition from the Government of Ontario.



We promise to provide innovative products and business solutions that are tailored to our customers' needs.



I promise  
these will last  
much longer



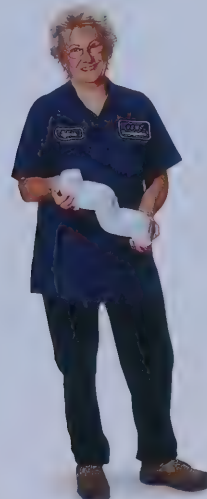


## GSW BUILDING PRODUCTS

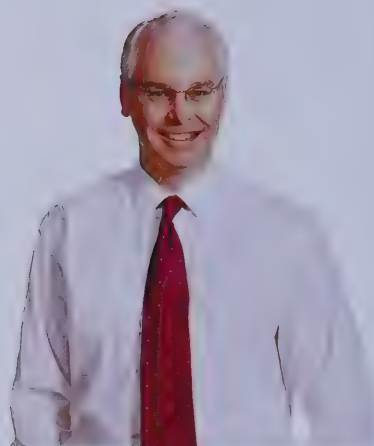
Our promise: We will strive to set new standards for competitiveness and growth.

WE ARE DETERMINED to maintain and strengthen our market leadership position in manufacturing vinyl rainware and railing systems. We will strive to overcome competition and the rising Canadian dollar by continuing to offer customers the very best service and highest-quality products at value prices. Following last year's unprecedented successes, we will again embrace a company-wide initiative to reduce costs and increase productivity. Our motivated workforce and strong management team will work together – guided by a shared vision and sense of mission – to achieve marketing goals and streamline manufacturing processes. We will seek to secure our long-term future through a carefully planned program of growth and acquisition. Building on the foundation laid these last few years, we will do our best to win new business and solidify our premier position in the market. We will never stand still.

We promise to maintain our competitive edge, reducing costs and providing the very best building supply products made anywhere.



## REVIEW OF OPERATIONS



James Hyde  
Vice President,  
Finance & Chief Financial Officer  
GSW Inc.

### CORPORATE

GSW Inc. has evolved over its 156 year history into a North American manufacturer and distributor of water heaters and building products. The Company remains based in Canada although a significant portion of revenue and operations are in the United States. The water heater operations, referred to as the Water Products segment includes GSW Water Heating, a division of GSW Water Products Inc., American Water Heater Company and Flame Guard Water Heaters, Inc. On a combined basis, the Water Products segment is the third largest North American water heater manufacturer. The building products operation includes GSW Building Products. It is the largest manufacturer of vinyl rainware systems in North America and a significant participant in the vinyl railing industry.

### AMERICAN WATER HEATER COMPANY

American Water Heater Company ("AWHC" or "American") completed its first full year under GSW Inc. in 2003. It is a major supplier of residential and commercial water heaters to the US market and 23 foreign countries. The company operates from three manufacturing plants in Johnson City, Tennessee, and one in Knoxville, Tennessee and has over 1,200 employees.

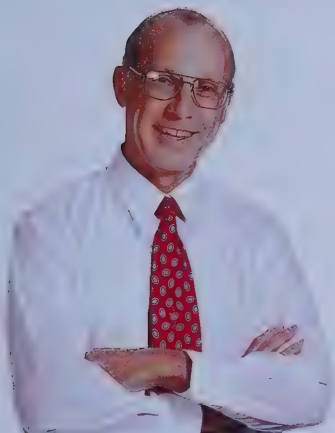
AWHC introduced the industry's first flammable vapour ignition resistant (FVIR) gas-fired water heater in 1999. On July 1, 2003, FVIR gas-fired heaters became the industry standard, almost four years after American first introduced FVIR products to the US market. This innovation was followed in 2002 with the introduction of Energy Smart®, the industry's first electronically controlled electric water heater. This flagship product remains the only one of its kind in the North American water heater industry and has played a major role in increasing retail upsell sales in 2003.

The company has emerged in recent years as the industry leader in delivery capability, with a record-setting ship-on-time-complete customer service performance of 99.9% for all products shipped in 2003. This was up from 99.0% in 2002.

American was named Supplier of the Year for the Appliances Division of Lowe's Home Improvement Warehouse and was honored in a ceremony in August 2003. Earlier in the year, AWHC renewed and extended its Supply Agreement with Lowe's, further strengthening its relationship and future position with this important customer.

The company markets its product under three major brands: the Whirlpool brand, which is sold exclusively





Robert Trudeau  
President  
American Water Heater Company



Donald Hambly  
President  
GSW Water Heating

to Lowe's; the American PROLine brand, which is sold exclusively to the plumbing wholesale channel; and the U.S. Craftmaster brand, which is sold to the retail channel. Early in the year, the company concluded an agreement with Lennox Industries, Inc., under which it produces high-efficiency stainless steel water heaters under the Lennox brand for use in their CompleteHeat® combination heating system. This was a significant customer addition for AWHC.

American enjoyed a good year in 2003. It was fueled by growth in new products, solid results with Lowe's, and strong growth in the plumbing wholesale channel. Market share was up in both the residential and commercial water heater markets. Factory productivity grew for the eighth year in a row and has advanced over 30% during that period. Material costs were aggressively managed and were reduced during the year. Synergies with GSW Water Heating were enhanced further during the year.

All AWHC employees contributed to the solid performance of the company in 2003. The year was filled with challenges, but the company's continuous improvement culture remained focused on Operational Excellence in all aspects of its business.

#### GSW WATER HEATING

Despite a 20% increase in the value of the Canadian dollar against the US dollar and the associated impact on GSW Water Heating's position against its predominantly US-based rivals, GSW Water Heating ("GSW WH") recorded an excellent year in 2003. Driven by superior customer service, excellent products and competitive pricing, GSW WH achieved market share gains in both Canada and the US. When combined with improved operating efficiencies, continued cost reduction success and a buoyant Canadian housing market, GSW WH was able to post significant gains in sales, operating margins, and overall profitability in 2003 over 2002.

Internally, GSW WH achieved several milestones during the year that included: i) successfully upgrading to the new ISO 9000-2000 quality/business standard, ii) in-sourcing our formerly outsourced technical support call center, iii) launching several new product programs, iv) launching a substantial capital reinvestment program and v) attracting several new key members into the management team.

We also continue to expand relations with American Water Heater Company and are increasingly taking advantage of intercompany synergy opportunities arising out of the 2002 American Water Heater Company acquisition.



Dennis Nykoliotion  
*President*  
GSW Building Products

GSW WH also has a strong record of corporate citizenship having received several awards over the year including a special commendation from the Premier of Ontario for our progressive actions during the August blackout.

GSW Water Heating employs approximately 400 people and has a dedicated and highly skilled team that is proud of its accomplishments in 2003 and is excited about and committed to its 2004 plan.

#### GSW BUILDING PRODUCTS

GSW Building Products ("GSW BP") continues to be the North American leader in vinyl rainware systems, including gutter, downspouts and related products, distributed under the TuffFlo™ and Rain Master® brand names.

This product family is primarily focused on the DIY ("do-it-yourself") and retail channels of distribution.

In addition, GSW BP manufactures, markets and distributes vinyl railing products under the Yardcrafters™ brand. The primary focus of this quality product has been to market it to contractors and installers in the United States as well as in Canada. Yardcrafters™ Railing Systems are now listed with the International Code Council Evaluation Service Inc. (ICC-ES). This internationally recognized building products evaluation and listing service has issued National Evaluation Report #NER-697, confirming Yardcrafters™ guardrail assemblies meet the most rigorous requirements for code compliance in North America.

The GSW Building Products plant in Barrie, Ontario, is vertically integrated, having developed a core competency in material compounding, extrusion and injection moulding. With about 125 employees, GSW BP distributes its products throughout North America.

In general, 2003 was a solid year, especially taking into account the strong competitive pressures that prevailed within the industry. The retail gutter business grew by almost 10% when measured in units, while the vinyl railing product line was up by over 11% compared to the previous year. A major achievement by the company in 2003 was its unprecedented "Continuous Improvement Program" thrust that resulted in significant process improvements and operating savings.

The company further positioned itself for future growth by strengthening its management team across the complete spectrum of its operations, achieving major operational efficiencies and maintaining its ISO 9001-2000 accreditation.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

*December 31, 2003 and 2002*

The accompanying consolidated financial statements of GSW Inc. and all the information in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by Management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the consolidated financial statements.

GSW Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. In addition, GSW Inc. has appropriate policies and procedures dealing with the protection of the environment and safety in the workplace. Compliance reviews are conducted to provide reasonable assurance that they are effective.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit, Environmental and Pension Committee.

The Audit, Environmental and Pension Committee is appointed by the Board with all of its members being independent directors. The Committee meets periodically with Management, as well as the external auditors, to discuss internal financial controls, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The Company's consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of shareholders. Ernst & Young LLP has full and free access to the Audit, Environmental and Pension Committee.



P.M. Sharpe  
*President & Chief Executive Officer*



J. M.E. Hyde  
*Vice President, Finance & Chief Financial Officer*

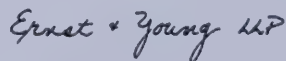
## AUDITORS' REPORT

### TO THE SHAREHOLDERS OF GSW INC.

We have audited the consolidated balance sheets of GSW Inc. as at December 31, 2003 and 2002, and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Kitchener, Canada  
February 6, 2004

Ernst & Young LLP  
Chartered Accountants



# CONSOLIDATED BALANCE SHEETS

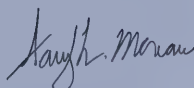
As at December 31	2003	2002
(in thousands of dollars)	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	23,209	12,382
Accounts receivable	88,404	87,876
Inventories	42,997	38,175
Prepaid expenses	3,190	9,345
Future income taxes (note 13)	3,723	4,937
<b>Total current assets</b>	<b>161,523</b>	<b>152,715</b>
Marketable securities (note 4)	29,783	18,173
Capital assets (note 5)	52,848	58,977
Future income taxes (note 13)	5,713	2,535
<b>Total operating assets</b>	<b>249,867</b>	<b>232,400</b>
Investment in Camco Inc. (note 6)	13,100	13,100
<b>Total assets</b>	<b>262,967</b>	<b>245,500</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (note 7)	17,468	3,900
Accounts payable and accrued liabilities	81,598	93,037
Income taxes payable	6,352	944
Deferred revenue	1,186	—
Current portion of long-term liabilities (note 8)	9,785	8,130
<b>Total current liabilities</b>	<b>116,389</b>	<b>106,011</b>
Long-term liabilities (note 8)	78,987	79,624
<b>Total liabilities</b>	<b>195,376</b>	<b>185,635</b>
<b>Commitments and contingencies (note 15)</b>		
<b>Shareholders' equity</b>		
Share capital (note 9)	2,139	2,114
Retained earnings	68,799	57,395
Cumulative translation adjustment (note 10)	(3,347)	356
<b>Total shareholders' equity</b>	<b>67,591</b>	<b>59,865</b>
<b>Total liabilities and shareholders' equity</b>	<b>262,967</b>	<b>245,500</b>

See accompanying notes

On behalf of the Board:



E. A. Kukiel  
Director



G. L. Moreau  
Director

# CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31	2003	2002
(in thousands of dollars, except earnings per share)	\$	\$
<b>SALES</b>	<b>507,383</b>	<b>413,851</b>
<b>OPERATING COSTS</b>		
Cost of sales, selling and administrative	480,040	391,963
Amortization	9,396	9,281
Interest expense	615	215
Interest income	(100)	(179)
	489,951	401,280
Income from operations before the undernoted	17,432	12,571
Unusual gains (losses) (note 12)	2,255	(2,300)
Foreign exchange (loss)	(207)	(197)
Income before income taxes	19,480	10,074
Income taxes (expense) (note 13)	(7,392)	(3,554)
Net income for the year	12,088	6,520
Retained earnings, beginning of year	57,395	64,555
Dividends (note 9)	(684)	(13,680)
Retained earnings, end of year	68,799	57,395
Earnings per share (note 11)	3.53	1.91

See accompanying notes



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31	2003	2002
(in thousands of dollars)	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income	12,088	6,520
Items not involving cash:		
Amortization	9,396	9,281
Insurance loss reserve	12,887	7,236
Future income taxes	(1,965)	(3,431)
Unrealized foreign exchange loss	1,671	—
Gain on sale of Aermotor Pumps, Inc.	—	(4,600)
Write-down of capital assets	—	1,678
	34,077	16,684
Net change in non-cash working capital balances related to operations	(10,356)	29,492
Increase in long-term liabilities related to operations	3,565	53
<b>Cash provided by operating activities</b>	<b>27,286</b>	<b>46,229</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of marketable securities	(16,043)	(18,173)
Purchase of capital assets	(11,572)	(8,309)
Acquisition of American Water Heater Company	—	(38,067)
Proceeds on disposal of Aermotor Pumps, Inc.	—	21,098
<b>Cash (applied to) investing activities</b>	<b>(27,615)</b>	<b>(43,451)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in bank indebtedness	13,568	3,900
Dividends paid	(684)	(13,680)
Issuance of share capital	25	—
<b>Cash provided by (applied to) financing activities</b>	<b>12,909</b>	<b>(9,780)</b>
<b>Effect of foreign currency translation on cash and cash equivalents</b>	<b>(1,753)</b>	<b>—</b>
<b>Net cash provided (applied) during year</b>	<b>10,827</b>	<b>(7,002)</b>
Cash and cash equivalents, beginning of year	12,382	19,384
<b>Cash and cash equivalents, end of year</b>	<b>23,209</b>	<b>12,382</b>

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2003 and 2002  
(in thousands of dollars, except number of shares)

## 1. NATURE OF OPERATIONS

GSW Inc. is incorporated under the laws of Canada. The Company is involved in the Water Products Business and in the Building Products Business. The Water Products Business consists of the GSW Water Heating division of GSW Water Products Inc. and American Water Heater Company who manufacture and distribute gas, electric, and oil-fired water heaters and related products principally for the North American market and of Flame Guard Water Heaters, Inc. who owns and licenses certain technology. The Building Products Business consists of GSW Building Products who manufactures and distributes vinyl rainware systems and vinyl railing systems for the North American market. The Company has two manufacturing facilities in Ontario and three in Tennessee.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by Management in accordance with Canadian generally accepted accounting policies.

### *Principles of consolidation*

These consolidated financial statements include the accounts of GSW Inc. ("the Company") and its subsidiaries from the dates of their acquisition. All significant intercompany amounts and transactions have been eliminated on consolidation.

### *Inventories*

Inventories are valued at the lower of cost and market value. Cost is determined principally on a first-in, first-out basis. Cost includes material, labour and variable and fixed manufacturing overhead costs. Market value is net realizable value for finished goods and work-in-process, and replacement cost for raw materials.

### *Capital assets*

Capital assets are stated at acquisition cost, including transportation and installation charges. Capital assets are amortized over their estimated useful lives using the following methods and rates:

	Method	Rate
Buildings and building improvements	Straight-line	3 to 48 years
	Declining balance	5%
Machinery and equipment	Straight-line	3 to 15 years
	Declining balance	20%
Computer systems	Straight-line	3 to 5 years
Tooling	Straight-line	3 to 5 years

No amortization is recorded on assets until the asset is placed into use. Capital assets that are no longer in productive use are written down to net realizable value.

### *Revenue recognition*

Revenue from the sale of products is recognized when title passes and collectibility is reasonably assured. Revenue from technology licensing is recognized according to the terms of the contract. Cash received in advance of revenue being recognized is recorded as deferred revenue.

### *Investment in Camco Inc.*

The investment in Camco Inc. is accounted for on a cost basis. Under the cost method, dividends are recorded as income and the carrying value of the investment is adjusted only when a decline in the market value is considered to be other than temporary.

### *Long-term liabilities*

#### *Product liability and insurance loss reserve*

The Company is insured for product liability through the purchase of commercial insurance, a part of which is reinsured by a Qualified Insurance Company that is a wholly-owned subsidiary of the Company. The Qualified Insurance Company maintains loss reserves that include provisions for known claims and for claims incurred but not reported that are established and adjusted in accordance with generally accepted loss forecasting principles and models prepared by an independent loss reserve specialist. The Qualified Insurance Company, as required under the terms of its reinsurance agreement, maintains collateral to meet its obligations under the reinsurance agreement.



As a condition of the acquisition in 2002 of American Water Heater Company, by a wholly-owned subsidiary, the subsidiary assumed the obligation to settle all future product liability claims related to product sold prior to acquisition. The purchase method of accounting for business combinations required the product liability reserve to include a provision for future claims related to product sold prior to acquisition, even though the incidents giving rise to this obligation had not occurred as of the date of acquisition. This reserve is drawn down as the population of products in service as at the time of acquisition decreases.

#### **Warranty**

Anticipated costs related to product warranty are recorded in the year in which the product is sold.

#### **Employee benefit plans**

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets.

The cost of providing defined benefit pensions and certain other employee benefits are charged to operations as they are paid.

The costs of defined benefit pensions and certain employee benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Plan assets are valued at fair value.

Adjustments arising from plan amendments, changes in actuarial assumptions, and actuarial gains and losses in excess of 10% of the greater of the market value of the plan assets or the benefit obligation at the beginning of the year are amortized to income on a straight-line basis over the expected average remaining service life of the related employee group.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of balances with banks and investments in other commercial instruments with terms of three months or less. These instruments are carried at cost that approximates market value.

#### **Marketable securities**

Marketable securities are carried at the lower of cost and market value. Marketable securities at December 31, 2003 and 2002 consist of US dollar money market funds. Cost is equivalent to market value due to the short-term nature of the securities.

#### **Foreign currency translation**

The accounts of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Assets and liabilities are translated at the rate in effect at year-end and revenues and expenses at the average rate for the year. Gains or losses arising from the translation are deferred in a "Cumulative Translation Adjustment" account in shareholders' equity until there is a realized reduction in the investment.

The accounts of foreign subsidiaries that are considered to be integrated are translated into Canadian dollars using the temporal method. Monetary assets and liabilities are translated at the rate in effect at year-end. Non-monetary assets and liabilities are translated at historic exchange rates. Revenue and expenses (other than amortization) are translated at the rate in effect on the transaction date or at the average rate for the year. Gains or losses arising from translation are included in income.

Foreign currency transactions are translated into Canadian dollars at the rate of exchange at the date of the transaction. Foreign denominated monetary balances are translated using the rate of exchange in effect at the end of the year and any resulting gains or losses are included in income.

#### **Derivative financial instruments**

A significant portion of the Company's Building Products Business is conducted in the United States. The Company enters into forward exchange contracts to reduce its exposure to fluctuations in foreign exchange. Forward exchange contracts are not utilized for speculative purposes.

The foreign exchange contracts have been entered into based upon the estimated net US dollar cash flow of the Building Products Business. No gains have been recognized on the contracts until they are deemed settled. Effective as at January 1, 2004, the Company will designate foreign exchange contracts either as a hedge or as held for trading. If designated as a hedge, gains and losses related to derivatives are deferred and recognized in the same period as the corresponding hedged position. Otherwise the contracts will be marked-to-market at each reporting date and any mark-to-market gains or losses will be included in the statement of operations as a foreign exchange gain or loss.

#### **Income taxes**

The Company follows the liability method of accounting for income taxes. Future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

#### **Earnings per share**

Basic earnings per share is calculated based on the weighted average number of Class "A" Common Shares and Class "B" Subordinate Voting Shares outstanding during the year.

### **Comparative figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

### **Use of estimates**

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires Management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. These estimates and assumptions are based on Management's assessment of available information. Actual results could differ from these estimates. Areas where the nature of estimates makes it reasonably possible that actual results could materially differ from amounts estimated include product liability reserves, insurance loss reserves and warranty.

### **Research and development**

The Company incurred costs on activities that relate to research and development of new and existing products. Research costs are expensed as incurred. Development costs are expensed unless they meet specific criteria related to technical, market and financial feasibility. Research and development costs of \$6,246 (2002 – \$4,318) were incurred during the year. No development costs have been deferred.

### **Investment tax credits**

Investment tax credits are accounted for using the cost reduction method whereby such credits are deducted from the expenditures or assets to which they relate when there is reasonable assurance that the investment tax credit will be received. No amounts have been recognized in the accounts.

## **3. ACQUISITIONS AND DISPOSITION**

### **Flame Guard Water Heaters, Inc.**

On January 20, 2003, the Company through a wholly-owned subsidiary, Flame Guard Water Heaters, Inc., acquired from SRP 687 Pty Ltd ("SRP 687") certain intellectual property assets owned by SRP 687 related to the design and manufacture of flammable vapour-resistant gas water heaters. The purchase price was satisfied by cash payment and was substantially allocated to long-term assets based upon the fair value of the net identifiable assets.

### **American Water Heater Company**

On April 2, 2002, the Company, through a wholly-owned subsidiary, acquired all the issued and outstanding shares of American Water Heater Company ("AWHC") of Johnson City, Tennessee. AWHC is a manufacturer and distributor of residential and commercial water heaters and other water heating products in the United States. The purchase price of \$38,067 (US \$23,892), including acquisition costs, was satisfied by cash payment.

The results of operations of AWHC from the date of acquisition are included in the Company's consolidated financial statements. The acquisition has been accounted for using the purchase method with the purchase price allocated to net identifiable assets at their fair market values. The following is a summary of the net assets acquired:

	\$
Current assets acquired	100,923
Current liabilities assumed	(39,882)
Working capital	61,041
Capital assets acquired	46,900
Long-term liabilities assumed	(69,874)
Net assets acquired	38,067

The agreement of purchase and sale provides for additional contingent consideration payable in cash of up to US \$15,000 if certain earnings targets and product liability cost targets are achieved in each of the financial periods ended December 31, 2002, 2003 and 2004. The targets as of December 31, 2002 and 2003 were not achieved, which resulted in a reduction of the maximum additional contingent consideration to US \$6,250. No contingent consideration has been included in the determination of the net assets acquired. As the liability for contingent consideration will be in part a function of future product liability experience, any payments will be recorded as a charge to the product liability reserve.

### **Rain Master®**

On August 1, 2002, the Company acquired the Rain Master® brand, product line and certain manufacturing assets from Bemis Manufacturing Company for vinyl rainware systems. The assets have been transferred to the Company's Building Products manufacturing operations in Barrie, Ontario. The purchase price was satisfied by cash payment and was substantially allocated to long-term assets based upon the fair value of the net identifiable assets acquired.

#### **Aermotor Pumps, Inc.**

On April 27, 2002, the Company disposed of its investment in Aermotor Pumps, Inc. ("Aermotor") to Sta-Rite Industries, Inc. for net cash proceeds of approximately \$21,098. Aermotor manufactured and distributed fluid pumps and pump related products. The Company recorded a gain of \$4,600 on the disposition. As a result of the disposition of Aermotor, the balance in the Company's Cumulative Translation Adjustment account at the time of disposal was substantially realized.

#### **4. MARKETABLE SECURITIES**

Marketable securities consist of US dollar denominated money market instruments. The Company has pledged marketable securities in support of a letter of credit in the amount of US \$21,000 (2002 – US \$10,700) provided to an insurer. The letter of credit was provided to the insurer in connection with the establishment of an insurance program to assist in the management of product liabilities assumed on the acquisition of AWHC. Accordingly, the marketable securities have been classified as a long-term asset.

#### **5. CAPITAL ASSETS**

Capital assets consist of the following:

2003	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	1,772	–	1,772
Buildings	18,185	4,079	14,106
Machinery and equipment	68,079	38,842	29,237
Computer systems	5,864	3,857	2,007
Tooling	6,893	3,307	3,586
Assets under construction	2,140	–	2,140
	102,933	50,085	52,848

2002	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Land	2,097	–	2,097
Buildings	19,972	3,195	16,777
Machinery and equipment	65,745	34,118	31,627
Computer systems	5,406	2,867	2,539
Tooling	4,331	2,317	2,014
Assets under construction	3,923	–	3,923
	101,474	42,497	58,977

#### **6. CAMCO INC.**

The Company holds 20% of the common shares of Camco Inc. The market value of the investment at December 31, 2003 was \$6,200 (2002 – \$10,605), based on the quoted market price. The realizable value of this investment may be more or less than that indicated by the market quotation less applicable income taxes.

#### **7. BANK INDEBTEDNESS**

The Company has a \$30,000 bank prime rate based revolving borrowing facility from a Canadian financial institution. As at December 31, 2003 and 2002, no amounts were outstanding under the facility.

A subsidiary of the Company has a revolving borrowing facility of US \$30,000 (CDN \$38,895) from a US financial institution. Revolving credit loans bear interest at bank prime plus 0.25% and LIBOR loans bear interest at current LIBOR rate plus 1.75%. Letters of credit bear interest at 2.25% plus a 0.25% fronting fee. A standby fee of 0.375% is payable on the undrawn portion of the facility. As collateral, the subsidiary has provided the lender with a general security agreement and an assignment of insurance.

As at December 31, 2003 the subsidiary had US \$3,035 (CDN \$3,935) (2002 – US \$1,461 (CDN \$2,304)) in revolving credit loans and US \$10,000 (CDN \$12,965) (2002 – NIL) in LIBOR loans outstanding. In addition US \$300 (CDN \$389) (2002 – US \$300 (CDN \$470)) in letters of credit were outstanding. The outstanding revolving credit and LIBOR loans bear interest at 4.0% (2002 – 4.5%) and 4.5% respectively. The gross assets of the subsidiary as at December 31, 2003 were US \$117,224 (CDN \$151,981).

Cash interest paid on the Company's borrowing facilities was \$573 for the year (2002 – \$231).



## 8. LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	2003	2002
	\$	\$
Product liability	34,281	44,213
Warranty	29,409	28,589
Insurance loss reserve	18,632	7,236
Pension	6,450	7,716
	88,772	87,754
Less current portion	(9,785)	(8,130)
	78,987	79,624

## 9. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Class "A" Common Shares without nominal or par value, an unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, and an unlimited number of preference shares without nominal or par value.

The Class "A" shares have identical terms and features as the Class "B" shares, except that the Class "A" shares have 100 votes per share and the Class "B" shares have one vote per share. A holder of Class "A" shares may, at any time, convert them into an equal number of Class "B" shares.

The details of issued share capital are as follows:

	2003		2002	
	Number issued and outstanding	Amount (\$000's)	Number issued and outstanding	Amount (\$000's)
Class "A" Common	750,108	442	750,108	442
Class "B" Subordinate Voting	2,671,035	1,697	2,669,813	1,672
	3,421,143	2,139	3,419,921	2,114

The Company issued during the year 1,222 Class "B" Subordinate Voting Shares for aggregate consideration of \$25 to certain Directors pursuant to the Directors' Share Purchase Plan.

During the year, NIL Class "A" Common Shares (2002 – 445) were converted on a one-for-one basis to Class "B" Subordinate Voting Shares.

### *Executive stock option plan*

Shareholders approved an Executive Stock Option Plan in 1993 pursuant to which 180,000 Class "B" Subordinate Voting Shares have been reserved for grant. No options have been issued or have been outstanding during the years ended December 31, 2003 and 2002.

### *Dividends*

The Company paid a regular dividend of \$0.20 per share (2002 – \$0.20) and a special dividend of \$NIL per share (2002 – \$3.80).

## 10. CUMULATIVE TRANSLATION ADJUSTMENT

	2003	2002
	\$	\$
Balance, beginning of year	356	2,519
Translation adjustment during year	(3,703)	356
Gain realized on disposition of subsidiary (note 3)	–	(2,519)
Balance, end of year	(3,347)	356

During 2003, the Canadian dollar gained 21.6% (2002 – strengthened 1.0%) against the US dollar based upon year-end rates. The Company has significant capital assets, marketable securities and long-term liabilities denominated in US dollars, held by self-sustaining foreign operations. As a result, the translated Canadian dollar value of these long-term assets and liabilities has been significantly impacted. The net effect of the changes in exchange rates on the net investment in self-sustaining foreign operations during the year is reflected above as the translation adjustment during the year.

## 11. EARNINGS PER SHARE

The weighted average shares outstanding during the year used to calculate earnings per share was 3,420,574 (2002 – 3,419,921). The Company has no securities that have a dilutive impact on earnings per share.

## 12. UNUSUAL GAINS (LOSSES)

	2003	2002
	\$	\$
Component supplier settlement	2,255	–
Gain on disposal of subsidiary (note 3)	–	4,600
Composite deck closure and water heater inspection and repair provision	–	(6,900)
	2,255	(2,300)

### 2003

During the year, the Company reached a settlement of outstanding claims with component suppliers for recovery of costs incurred and expensed by the Company relating to defective water heater parts.

### 2002

The Company recorded a gain on disposition of a subsidiary engaged in the manufacturing and distribution of pump products. The Company also ceased production of its composite deck product and wrote down the related machinery and equipment to its estimated realizable value. A provision for inspection, and if required, service of one type of gas water heaters sold in the mid 1990's was also recorded. A portion of the affected water heaters were inspected in 2003 and the balance is expected to be completed in 2004. The results of inspected water heaters were consistent with the assumptions for determination of the provision.

## 13. INCOME TAXES

The Company's provision for income taxes is as follows:

	2003	2002
	\$	\$
Income taxes (expense) at combined Canadian federal and provincial rates of 36.8% (38.6% in 2002)	(7,163)	(3,890)
(Increase) decrease in income taxes (expense) applicable to:		
Non-taxable foreign currency (loss) gain on translation	(795)	945
Foreign tax rate differential	324	240
Manufacturing and processing deduction	207	–
Increase (reduction) in future corporate tax rates	192	(297)
Other items	(157)	(552)
<b>Income taxes (expense)</b>	<b>(7,392)</b>	<b>(3,554)</b>
Represented by:		
Current income taxes	(11,254)	(6,985)
Future income taxes	3,862	3,431
	(7,392)	(3,554)

The tax effect of the temporary differences that give rise to future income tax assets and liabilities are comprised of the following:

	2003	2002
	\$	\$
<b>Future income tax assets:</b>		
Warranty provision	11,054	10,546
Product liability	8,692	9,665
Pension liability	2,347	2,487
Long-term incentive plan	1,013	447
Other liabilities not currently deductible for tax	3,602	6,460
<b>Total future income tax assets</b>	<b>26,708</b>	<b>29,605</b>
<b>Future income tax liabilities:</b>		
Capital assets	12,993	15,993
Prepaid expenses	3,424	5,140
Investment in Camco Inc.	855	1,000
<b>Total future income tax liabilities</b>	<b>17,272</b>	<b>22,133</b>
Future income tax assets, net	9,436	7,472
Less: current portion of future income tax assets	3,723	4,937
<b>Long-term future income tax assets</b>	<b>5,713</b>	<b>2,535</b>

Income taxes paid during 2003 were \$6,056 (2002 – \$3,715).

#### 14. EMPLOYEE BENEFIT PLANS

##### *Defined benefit pensions*

The Company has defined benefit pension plans providing pension benefits to most of AWHC's employees. Information about these plans, in aggregate, is as follows:

	2003	2002
	\$	\$
<b>Change in accrued benefit obligation</b>		
Accrued benefit obligation, beginning of period	18,623	17,224
Current service costs	1,249	911
Interest cost	1,037	766
Actuarial loss	381	–
Benefits paid	(432)	(278)
Foreign exchange gain on translation	(3,480)	–
<b>Accrued benefit obligation, end of year</b>	<b>17,378</b>	<b>18,623</b>
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of period	9,970	9,189
Actual return on plan assets	521	(312)
Employer contributions	1,397	1,371
Benefits paid	(432)	(278)
Foreign exchange loss on translation	(1,893)	–
<b>Fair value of plan assets, end of year</b>	<b>9,564</b>	<b>9,970</b>
Unfunded deficit, end of year	7,814	8,653
Unrecognized actuarial (loss)	(1,473)	(937)
Foreign exchange loss on translation	109	–
<b>Accrued pension liability recognized in financial statements</b>	<b>6,450</b>	<b>7,716</b>

The Company's net pension benefit expense is as follows:

	2003	2002
	\$	\$
Current service cost	1,249	911
Interest cost	1,037	766
Expected return on plan assets	(781)	(625)
<b>Net pension expense</b>	<b>1,505</b>	<b>1,052</b>



The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2003	2002
	%	%
Discount rate	6.25	6.50
Expected rate of return on plan assets	8.50	8.50
Rate of compensation increase	4.00	4.00

#### **Defined contribution pension**

The Company contributes to a number of defined contribution pension plans that provide benefits to certain salaried and hourly employees. Employer contributions totalling \$1,949 (2002 – \$1,842) were expensed during the year.

### **15. COMMITMENTS AND CONTINGENCIES**

#### **Lease commitments**

The Company is committed to premises and equipment leases with terms expiring at various dates. The future minimum lease payments over the next five years are as follows:

	\$
2004	2,694
2005	938
2006	505
2007	408
2008	288
	4,833

As at December 31, 2003, the Company had capital asset purchase commitments totalling \$812.

#### **Contingencies**

In the normal course of operations, the Company becomes involved in various claims and legal proceedings. While the final outcome with respect to such matters cannot be predicted with certainty, it is the opinion of Management that adequate provisions have been made in the accounts and that the ultimate resolution of such contingencies will not have a materially adverse effect on the Company's consolidated financial position or results of operations.

The Company has established liabilities for environmental compliance for existing and former manufacturing facilities based upon managerial estimates, relying on currently available facts, existing technology, presently enacted laws and regulations and the professional judgment of consultants. Any change in the estimated liability based upon new information would be charged to income.

### **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **Foreign currency risk**

The Company has significant operations conducted by self-sustaining subsidiaries that are located in the United States or that operate based on the US dollar. Foreign exchange gains or losses related to the Company's net investment is deferred in the Cumulative Translation Adjustment account.

Certain United States based subsidiaries that maintain their accounts based on the US dollar are considered to be integrated. Foreign exchange gains or losses recorded on translation of their net monetary assets are included in income. As at December 31, 2003 net monetary assets are approximately US \$6,400 (2002 – US \$15,200). These net monetary assets are expected to be utilized in the United States.

The parent company and subsidiaries located in Canada maintain their accounts in Canadian dollars. The Company's foreign currency denominated cash, accounts receivable, other assets and accounts payable balances as at December 31, 2003 were approximately US \$4,200 (2002 – US \$(200)). The Company's Canadian operations enter into foreign exchange contracts to hedge selected identified US sales and purchases. The Company's market risk with respect to foreign exchange contracts is limited to the exchange rate differential. As at December 31, 2003, the Company had foreign exchange contracts to sell between February and November 2004 US \$10,000 (2002 – US \$8,000), at an average rate of 1.3192 (2002 – 1.5998). The foreign exchange contracts have not been accounted for as a hedge. The notional amounts of the contracts at December 31, 2003 is \$13,192 and the unrealized gain on the contracts was \$227.

### **Credit risk**

Credit risk relates primarily to accounts receivable from its customers. The Company performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based upon credit risk applicable to particular customers, historical trends and economic circumstances.

One customer in the Water Products segment represents 42% of the total accounts receivable outstanding at December 31, 2003 (2002 – 47%). For the year ended December 31, 2003, one customer in the Water Products segment accounted for 45% of annual sales (2002 – 35%).

### **Fair value of financial instruments**

The fair values of accounts receivable, marketable securities, accounts payable and accrued liabilities and bank indebtedness approximate their carrying value due to the short-term maturities of these instruments.

## **17. SEGMENTED INFORMATION**

The Company's operations are comprised of two operating segments, both of which manufacture products primarily for the residential building products industry. A third segment was disposed of in April 2002.

The operations of the Water Products and Building Products segments are described in note 1. The Pump segment included the operations of Aermotor Pumps, Inc. to its date of disposition.

### **Industry Segments**

	Water Products		Building Products		Pump Products		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$
Sales to external customers	469,244	345,816	38,139	42,393	–	25,642	507,383	413,851
Segment profit (loss)	16,792	6,310	2,588	1,455	–	(2,470)	19,380	5,295
Gain on disposal of Aermotor							–	4,600
Interest income							100	179
Income taxes							(7,392)	(3,554)
Net income							12,088	6,520
Identifiable assets	188,679	184,276	11,620	12,281	–	–	200,299	196,557
Corporate assets							62,668	48,943
Total assets							262,967	245,500
Capital expenditures	11,183	6,665	389	1,014	–	630		
Amortization	8,143	6,522	1,253	2,547	–	212		

### **Geographic Information**

	Sales		Capital Assets	
	2003 \$	2002 \$	2003 \$	2002 \$
USA	409,044	314,622	37,563	45,374
Canada	98,339	99,229	15,285	13,603
	507,383	413,851	52,848	58,977

Revenues are attributable to geographic areas based on the location of the customer.



# CORPORATE INFORMATION

## DIRECTORS

### **John A. Barford**

*Chairman*

GSW Inc.

*President*

Valleydene Corporation Limited

### **Stephen T. Bellringer<sup>2</sup>**

*Chairman*

Anthem Properties Corp.

### **Geoffrey A. Cumming<sup>2</sup>**

*Vice Chairman*

Gardiner Group Capital Limited

and Garbell Holdings Limited

*Deputy Chairman*

Emerald Capital Limited

### **William C. Garriock<sup>1</sup>**

*President*

Garry Oaks Advisors

*Company Director*

### **Edward A. Kukiel<sup>1</sup>**

*President & Chief Executive Officer*

Gardiner Group Capital Limited

### **Elizabeth J. Malcolm<sup>1</sup>**

*Vice President*

Valleydene Corporation Limited

### **Bruce H. Mitchell<sup>2</sup>**

*Chairman & Chief Executive Officer*

Permian Industries Limited

### **Gary L. Moreau<sup>1</sup>**

*Author, Lecturer, Advisor*

### **Peter M. Sharpe**

*President & Chief Executive Officer*

GSW Inc.

<sup>1</sup> Member of the Audit, Environmental and Pension Committee

<sup>2</sup> Member of the Management Resources, Compensation and Corporate Governance Committee

## OFFICERS

### **John A. Barford**

*Chairman*

### **Peter M. Sharpe**

*President & Chief Executive Officer*

### **James M.E. Hyde**

*Vice President,*

*Finance & Chief Financial Officer*

### **Robert R. Cranston**

*Secretary*

## OPERATING MANAGEMENT

### **Donald R. Hambly**

*President*

GSW Water Heating

### **Dennis E. Nykoliation**

*President*

GSW Building Products

### **Robert W. Trudeau**

*President*

American Water Heater Company

## LOCATIONS

### **Head Office**

20 Eglinton Avenue West

Suite 1903, P.O. Box 2026

Toronto, Ontario M4R 1K8

T 416.489.0640

F 416.489.1476

### **Corporate Office**

2020 Winston Park Drive

Suite 100

Oakville, Ontario L6H 6X7

T 905.829.1197

F 905.829.0092

### **Building Products**

GSW Building Products

26 Lorena Street

Barrie, Ontario L4N 4P4

T 705.728.7141

F 705.728.8711

## Water Products

*American Water Heater Company*

500 Princeton Road

Johnson City, Tennessee, USA 37601

T 423.283.8000

F 423.283.8050

*American Water Heater Company*

1100 East Fairview Avenue

Johnson City, Tennessee, USA 37601

T 423.434.1500

F 423.434.1633

*GSW Water Heating*

599 Hill Street West

Fergus, Ontario N1M 2X1

T 519.843.1610

F 519.843.6121

## SHARE TRANSFER AGENT

CIBC Mellon Trust Company

Toronto, Ontario

## BANKS

The Bank of Montreal

Toronto, Ontario

Barclays Bank PLC

Bridgetown, Barbados

Fleet Capital Corporation

Chicago, Illinois

## AUDITORS

Ernst & Young LLP

Kitchener, Ontario

## SHARE LISTING

Stock Symbols: GSW.A and GSW.B

Exchange: Toronto Stock Exchange

*The Annual Meeting of Shareholders will be held on Wednesday, April 21, 2004 at 11:00 a.m. at the Fairmont Royal York, Imperial Room, 100 Front Street West, Toronto, Ontario, M5J 1E3.*





GSW INC.

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